

**AIKEN TECHNICAL COLLEGE**  
**REPORT ON FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**AIKEN TECHNICAL COLLEGE**

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**AIKEN TECHNICAL COLLEGE**

**AREA COMMISSION MEMBERS, OFFICERS, KEY ADMINISTRATIVE STAFF  
AND OTHER INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

**MEMBERS OF AREA COMMISSION**

**Term Expires**

Mr. Michael R. Rose, Vice-Chair	04/30/12
Mr. Charles L. Munns	04/15/13
Mr. Joe E. Lewis	01/31/15
Dr. Elizabeth Everitt	Ex-Officio
Mr. Carlos F. Garcia, Chairman	04/30/14
Ms. Patricia E. Guglieri	04/15/13
Ms. K. D. Justyn	08/01/14
Mr. Augustus T. Stephens, Jr., Secretary	01/31/15
Mr. Timothy W. Simmons	Ex-Officio
Mr. William J. Windley	04/15/12
Ms. Collette Ball	04/15/12

**OFFICERS OF AREA COMMISSION**

Mr. Carlos F. Garcia, Chairman  
Mr. Augustus T. Stephens, Jr., Secretary

**KEY ADMINISTRATIVE STAFF**

Dr. Susan A. Winsor, President  
Mr. Andy Jordan, Vice-President of Administrative Services  
Dr. Gemma K. Frock, Vice-President of Education and Training  
Dr. Vinson Burdette, Dean, Student Development

**AREA SERVED BY COMMISSION**

Aiken County, South Carolina

**ENTITIES WHICH PROVIDE FINANCIAL SUPPORT**

State Budget and Control Board  
Aiken County, South Carolina  
United States Department of Education  
United States Department of Labor  
United States Department of Energy  
United States Environmental Protection Agency  
United States Nuclear Regulatory Commission  
South Carolina Department of Education  
South Carolina Department of Energy  
South Carolina Department of Employment & Welfare



## INDEPENDENT AUDITOR'S REPORT

Aiken Technical College  
Aiken, South Carolina

We have audited the accompanying financial statements of the business-type activities of Aiken Technical College (the "College"), a department of the State of South Carolina, as of and for the year ended June 30, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Aiken Technical College Foundation, Inc., a discretely presented component unit of Aiken Technical College. The Aiken Technical College Foundation, Inc.'s financial statements reflect 100% of the total assets, 100% of the net assets, and 100% of the total revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Aiken Technical College Foundation, Inc., is based solely on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Aiken Technical College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the College are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities of the State of South Carolina that is attributable to the transactions of the College. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2011, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of Aiken Technical College, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, which consisted principally of inquiries of management about the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Augusta, Georgia  
September 30, 2011

## **AIKEN TECHNICAL COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management of Aiken Technical College (the "College") offers readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2011. This discussion should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The financial statements follow Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, and related subsequent implementation guides. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective previously required.

### **Financial Highlights**

- The assets of Aiken Technical College exceeded its liabilities at June 30, 2011 by \$30,531,194. Of this amount, \$7,464,201 may be used to meet the College's ongoing obligations.
- The College's total net assets increased by \$162,446 or .534%. The Investment in capital assets, net of related debt, decreased by \$783,494, reflecting depreciation in excess of capital purchases and construction. The College received \$365,667 in capital funding, including \$147,923 from state resources and \$217,744 from federal sources. Last year the College received \$200,568 in total capital funding, solely from state resources. These funds aided ongoing efforts to update equipment.
- Purchases of capital (over \$5,000 a unit) equipment arose in connection with normal replacements in the amount of \$354,167. Purchases of non-capital equipment and supplies, lasting more than one year, totaled \$191,550.
- The College experienced an operating loss of \$12,351,020 as reported in the Statement of Revenues, Expenses, and Changes in Net Assets. However, this operating loss was offset by state appropriations of \$3,464,477, local appropriations of \$1,720,000, certain non-operating federal grants of \$6,995,003 and other nonoperating revenues.

### **Overview of the Financial Statements**

The College engages only in Business-Type Activities (BTA) financed, in part, by fees charged to students for educational services. Accordingly, it reports activities using the following three financial statements, required for proprietary funds: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets presents the financial position of the College at the end of the fiscal year and classifies assets and liabilities into current and noncurrent. The difference between total assets and total liabilities equals net assets, and is displayed in three broad categories: invested in capital assets (net of related debt), restricted, and unrestricted.

Unrestricted net assets provides one indication of the current financial condition of the College, while the change in net assets indicates whether the overall financial condition has improved or worsened during the year.

The Statement of Revenues, Expenses, and Changes in Net Assets is basically a statement of net income that replaces the fund perspective with the entity-wide perspective. Operating and nonoperating categories segment the statement, while expenses are reported by object type. A separate footnote displays expenses reported by function, with a cross reference to the object type. The Statement of Cash Flows aids readers in identifying the sources and uses of cash by categorizing activities as operating, noncapital financing, capital and related financing, and investing. This statement clarifies the College's dependence on state and county appropriations by separating them from operating cash flows.

## Financial Analysis

Net assets increased over FY 2010 by \$162,466. This increase was well below FY 2010's increase over FY 2009 of \$1,623,425. The change resulted from a decline in enrollment, reduced stimulus revenue and reduced state appropriations. Operating expenses decreased from \$22,151,936 to \$22,131,463. Instruction fees were increased by \$40 for a full time student residing in Aiken County, resulting in a percentage increase of 2.40%. Student enrollment decreased by 396 full time equivalent students or 6.62%.

Net assets may serve over time as a useful indicator of an entity's financial position. The College's total assets exceeded total liabilities by \$30,531,194, at the close of the current fiscal year.

By far the largest portion of the College's net assets (71.49%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related outstanding debt used to acquire the assets. The College acquires these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Only 4.07 % of the College's net assets represent resources that are subject to external restrictions on how they may be used. *Unrestricted net assets* of \$7,464,201 (24.45 % of total net assets) may be used to meet the College's ongoing obligations. The State Board for Technical Colleges requires the College to maintain one month's operating funds for liquidity. The current unrestricted net assets listed above represents in excess of three months normal operating funds.

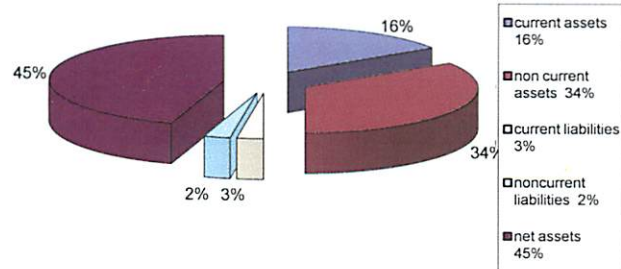
Total operating expenses decreased during the year by \$20,473 or .09%. The decrease reflects constrained spending, in keeping with reduced revenue sources. Instruction and Academic Support functions decreased by \$586,544, or 5.28%, related to the enrollment decrease of 6.62%. Student Services and Institutional Support functions expenditures were increased by a total of \$398,793, or 9.37%. The increase included preparation for inaugurating a federal student loan program, and a comprehensive strategic survey. Overall salary and fringe benefits, the College's largest single operating expenditures, decreased by \$88,902, or less than 1%, following a similar decrease in fiscal year 2010 of \$121,347. Total expenses related to supplies and other services decreased by \$144,164, or 2.45%, while scholarships increased slightly by \$172,698. Depreciation increased by \$46,270, or 3.39%, resulting from a small increase in depreciable capital.

Charts and graphs follow that pictorially present specific areas of the College's financial condition at June 30, 2011 and comparisons with the prior year.



## Statement of Net Assets charts

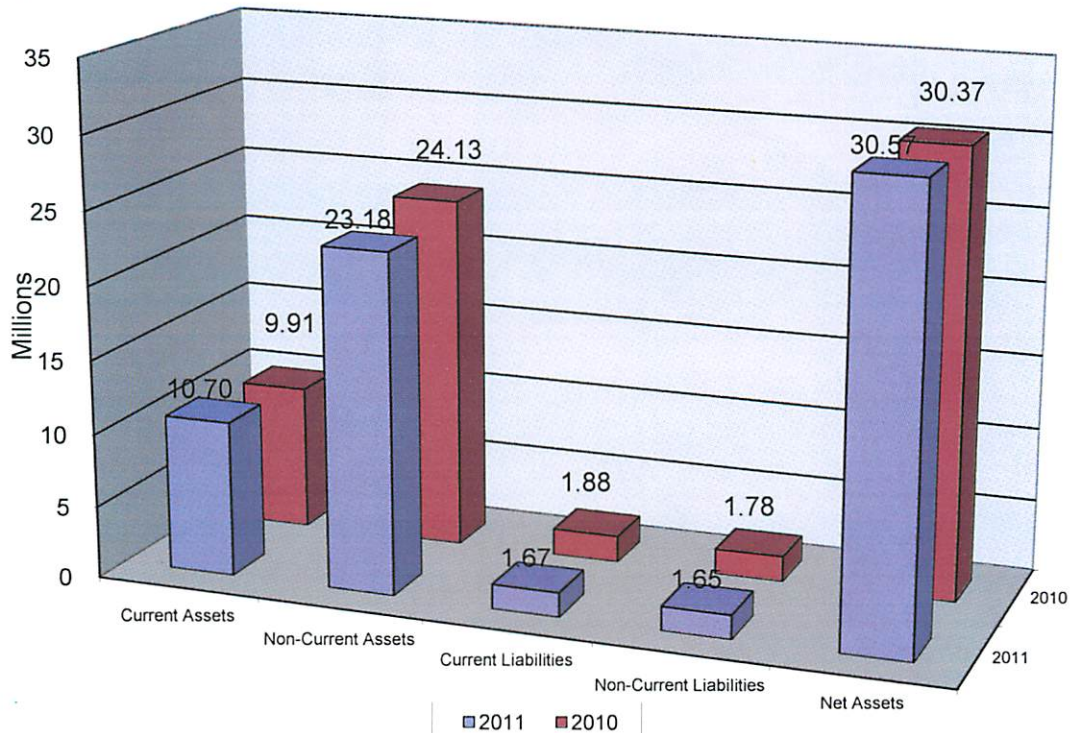
Statement of Net Assets Pie Chart Summary



Note: Assets substantially exceed liabilities denoting a sound financial condition for the College.

The following graph illustrates the change from the prior year for Assets, Liabilities and Net Assets. Current and Non Current Assets decreased while Current Liabilities and Non Current Liabilities also decreased. Net Assets increased slightly.

Comparison of Assets, Liabilities, and Net Assets

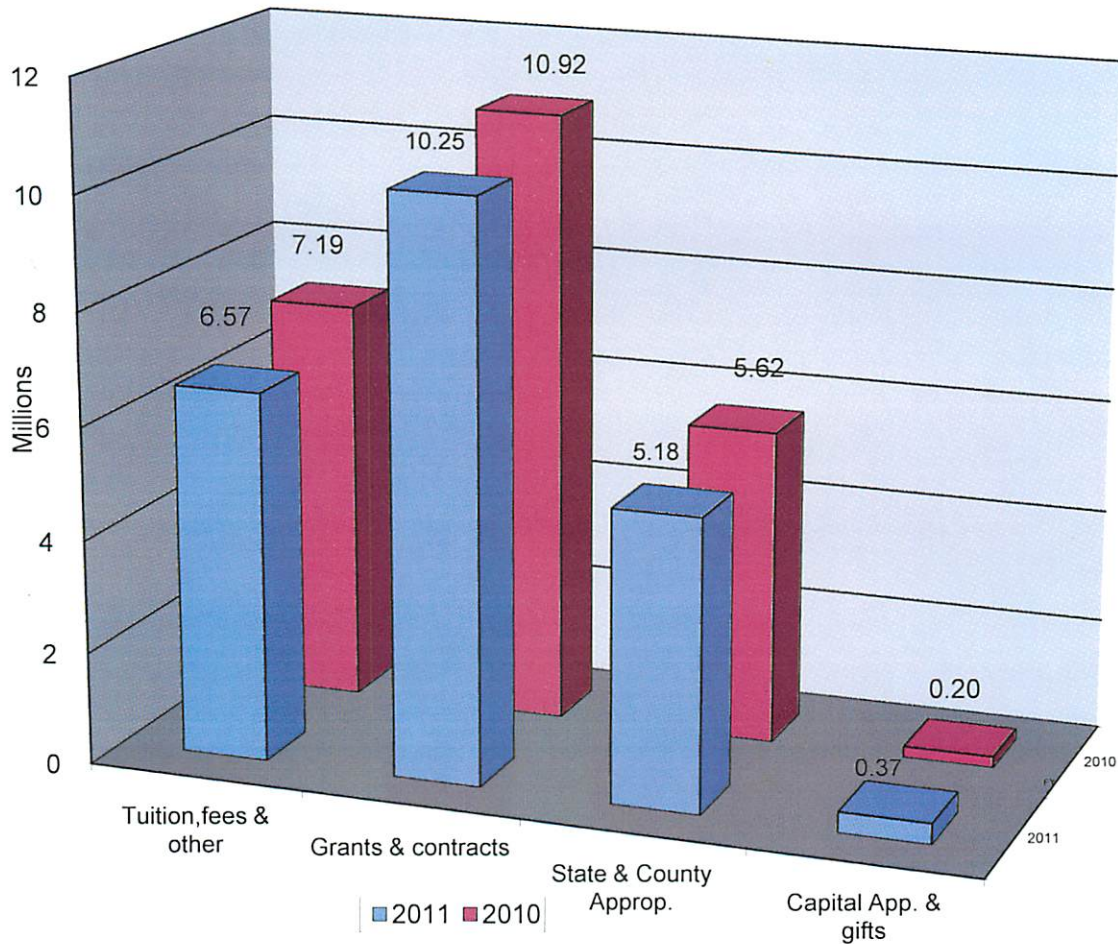




## Revenue Comparisons

The chart below shows increased Tuition, Fees, & Other revenue. Combined State and County Appropriations declined due to a State Appropriation decrease. Capital Appropriations remained low, reflecting completion of major building projects. Grants & Contracts decreased due to a slightly lower enrollment.

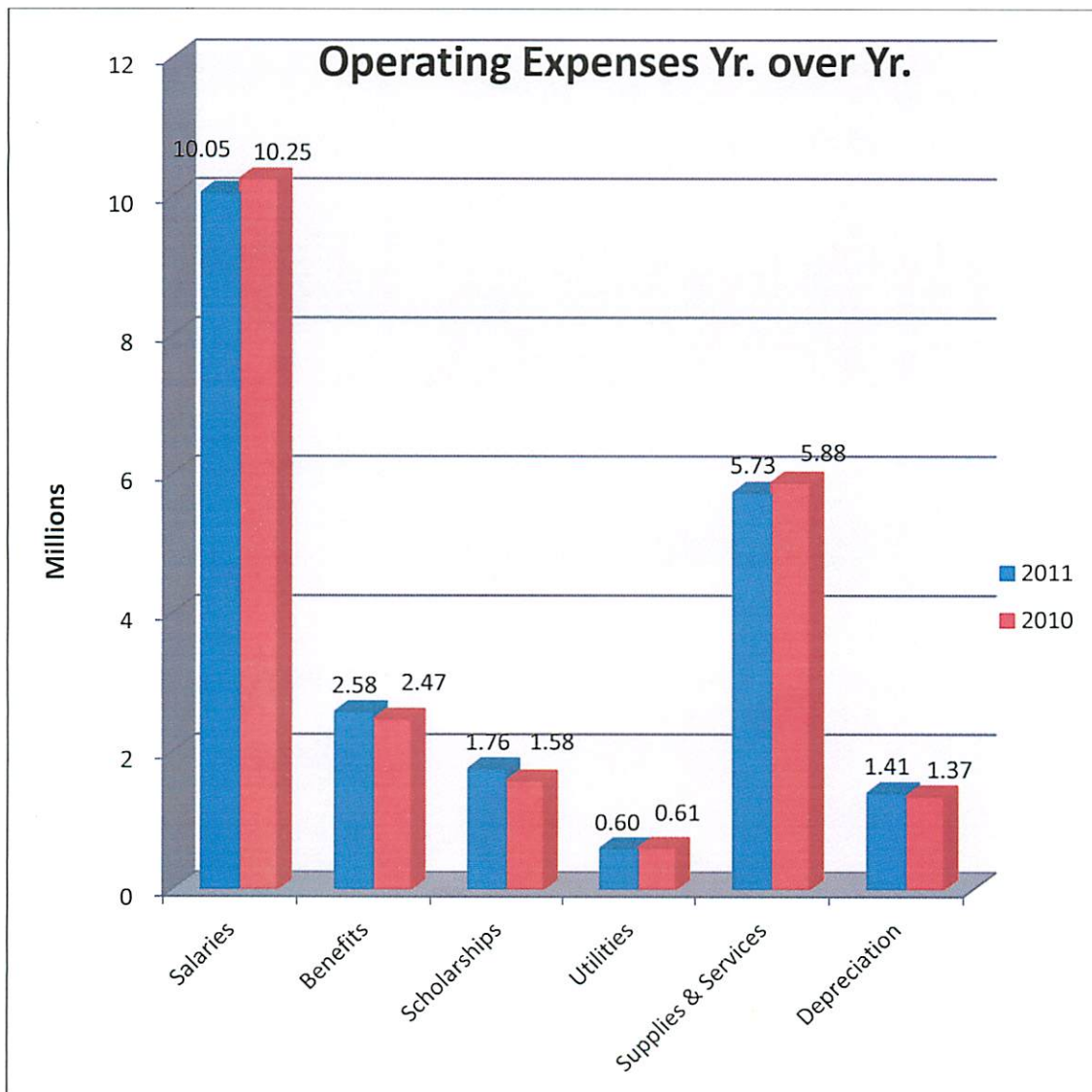
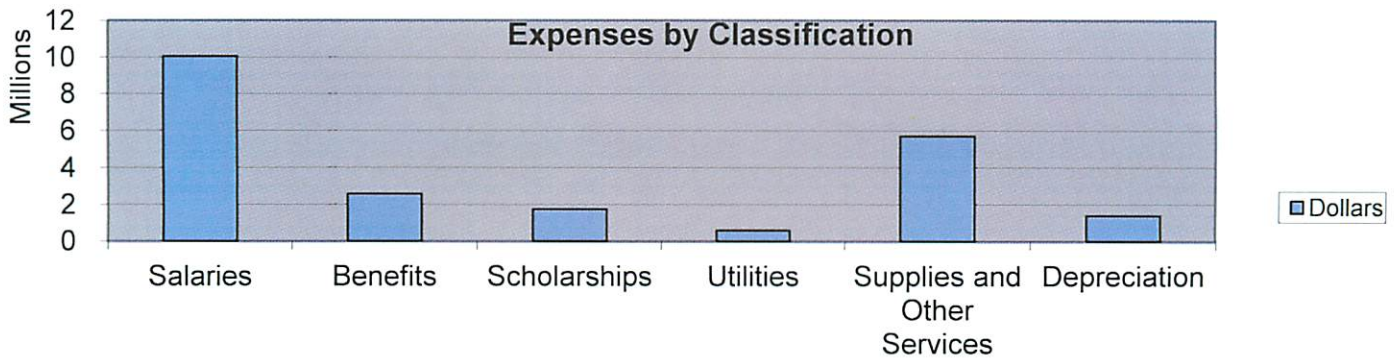
Revenue comparisons FY11 to FY 10



### Expense charts

Expenses for the College are mainly for Salaries and Supplies and Other Services as noted in the chart below:

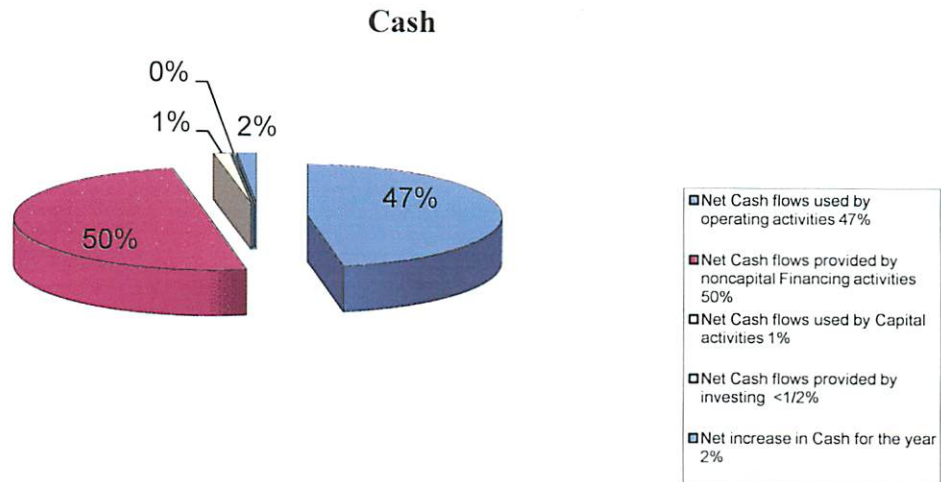
(See Financial Analysis text for details.)



### Cash Flows chart

Cash and cash equivalents increased by \$390,558.

The College continued to maintain current status on all mortgage liabilities with a planned surplus in amounts reserved for debt repayment.



### **Economic Factors**

South Carolina (SC) economic stagnation continued with mixed results through the current fiscal year, as evidenced by the SC stubbornly high unemployment rate of 10.5% in June 2011<sup>i</sup>. In fiscal year 2010 the overall SC unemployment rate was at 12.4%<sup>ii</sup>.

The slow SC recovery, reflected in the above indicators, when combined with other state funding priorities, resulted in a decrease of the College's share of state revenues for its current operations by \$504,984 or 12.7%, from a comparatively low base. With a mixed recovery sponsorship payments to support student tuition decreased, from \$2,163,164 in fiscal year 2010 to \$1,279,901 in fiscal year 2011, resulting in reduced enrollment.

### **Summary**

The College continued towards previously established goals of empowering students, transforming resources into desired outcomes, and aligning College and business resources by managing costs and tuition to enable the funding of current programs, maintain affordability for students, and provide for the maintenance of physical facilities. This year's financial statements reflect this through conservative spending supported by moderate tuition rate increases, in the face of declining state funding. Non-state resources aided the achievement of our goals through: College Foundation community program and scholarship support; Aiken County plant maintenance support; and Federal grant funding for financial aid, instruction, and academic and student support.

The College's ability to increase Cash, Investments and other assets in excess of Total Liabilities by \$162,446 as seen in the Condensed Statement of Net Assets below, indicates the fiscal soundness of the College.

### Condensed Statements of Net Assets

	For the Year Ended		Increase(Decrease)	
	30-Jun-11	30-Jun-10	\$	%
<b>ASSETS</b>				
Cash, Investments, and other assets	\$10,682,488	\$9,925,557	\$756,931	7.63%
Capital Assets, net	23,159,204	24,107,225	(948,021)	-3.93%
<b>Total Assets</b>	<b>33,841,692</b>	<b>34,032,782</b>	<b>(191,090)</b>	<b>-0.56%</b>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	1,665,424	1,880,373	(214,949)	-11.43%
Long-term liabilities	1,645,074	1,783,661	(138,587)	-7.77%
<b>Total Liabilities</b>	<b>3,310,498</b>	<b>3,664,034</b>	<b>(353,536)</b>	<b>-9.65%</b>
<b>NET ASSETS</b>				
Invested in Capital, net of related debt	21,825,665	22,609,159	(783,494)	-3.47%
Restricted	1,241,328	924,339	316,989	34.29%
Unrestricted	7,464,201	6,835,250	628,951	9.20%
	<u>\$30,531,194</u>	<u>\$30,368,748</u>	<u>\$162,446</u>	<u>0.53%</u>

## Condensed Statement of Revenue, Expenditures and Changes In Net Assets

	Year Ended 2011	Year Ended 2010	Increase (Decrease)	
			\$	%
Operating Revenues				
Student tuition and fees (net of scholarship allowances of \$7,039,158 and \$7,121,971)	4,771,342	5,341,132	(569,790)	(10.67)
Grants & Contracts	3,254,579	3,426,017	(171,438)	(5.00)
Other	1,754,522	1,758,531	(4,009)	(0.23)
Total Operating Revenues	9,780,443	10,525,680	(745,237)	(7.08)
Operating Expenses				
Salaries	10,051,182	10,247,412	(196,230)	(1.91)
Benefits	2,576,188	2,468,860	107,328	4.35
Scholarships & fellowships	1,756,533	1,583,835	172,698	10.90
Utilities	603,256	609,631	(6,375)	(1.05)
Supplies & other services	5,731,963	5,876,127	(144,164)	(2.45)
Depreciation	1,412,341	1,366,071	46,270	3.39
Total Operating Expenses	22,131,463	22,151,936	(20,473)	(0.09)
Operating Loss	(12,351,020)	(11,626,256)	(724,764)	6.23
Non Operating Revenues				
State Appropriations	3,464,477	3,969,461	(504,984)	(12.72)
County Appropriations	1,720,000	1,648,000	72,000	4.37
Other nonoperating revenues & expenses	6,963,322	7,431,652	(468,330)	(6.30)
Total nonoperating revenues	12,147,799	13,049,113	(901,314)	(6.91)
Income before other revenues (expenses)	(203,221)	1,422,857	(1,626,078)	(114.28)
Capital Appropriations, grants & gifts	365,667	200,568	165,099	82.32
Increase in Net Assets	162,446	1,623,425	(1,460,979)	(89.99)
Net Assets:				
Net Assets, beginning of year	30,368,748	28,745,323	1,623,425	5.65
Net Assets, end of year	\$30,531,194	\$30,368,748	\$162,446	0.53

<sup>i</sup> Post & Courier July 25, 2011 "Why jobless rate is so high.." Para 1, sentence 5

<sup>ii</sup> [Moore School Web Site](#) | Faculty & Research | Research Centers/ Division of Research/Economic Indicators/ Latest S.C. Economic Indicators Vol. 45 No. 5, May 2010/Initial Claims for Unemployment Insurance Summary Para. 2 and Total Unemployment Rate Summary Para. 3



**AIKEN TECHNICAL COLLEGE**  
**STATEMENT OF NET ASSETS**  
*June 30, 2011*

**ASSETS**

Current Assets

Cash and cash equivalents	\$ 4,138,908
Investments	2,160,000
Accounts receivable, net	3,788,978
Inventories	424,709
Prepaid expenses	<u>151,509</u>

Total current assets	<u>10,664,104</u>
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Noncurrent Assets

Restricted short-term investments	18,384
Capital assets, net of accumulated depreciation	<u>23,159,204</u>

Total noncurrent assets	<u>23,177,588</u>
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Total assets	<u><b>33,841,692</b></u>
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**LIABILITIES**

Current Liabilities

Accounts payable	249,553
Accrued payroll liabilities	23,365
Deferred revenues and advances	1,112,291
Bonds and Loans payable - current portion	215,296
Accrued compensated absences - current portion	<u>64,919</u>

Total current liabilities	<u>1,665,424</u>
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Noncurrent Liabilities

Bonds and Loans payable	1,118,243
Accrued compensated absences	520,464
Restricted liabilities - funds held for others	<u>6,367</u>

Total noncurrent liabilities	<u>1,645,074</u>
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Total liabilities	<u><b>3,310,498</b></u>
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**NET ASSETS**

Invested in capital assets, net of related debt	21,825,665
Restricted for debt service	1,189,911
Restricted for loan fund	51,417
Unrestricted	<u>7,464,201</u>

Total net assets	<u><b>\$ 30,531,194</b></u>
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The accompanying notes are an integral part of this financial statement.

**AIKEN TECHNICAL COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Year Ended June 30, 2011**

**REVENUES**

**Operating Revenues**

Student tuition and fees (net of scholarship allowances of \$6,754,318)	\$ 4,470,600
Student tuition and fees pledged for revenue bonds (net of scholarship allowances of \$284,840)	300,742
Federal grants and contracts	930,458
State grants and contracts	2,203,689
Local grants and contracts	120,432
Auxiliary enterprises (net of scholarship allowances of \$829,340)	1,281,566
Other operating revenues	<u>472,956</u>
 Total operating revenues	 <u>9,780,443</u>

**EXPENSES**

**Operating Expenses**

Salaries	10,051,182
Benefits	2,576,188
Scholarships and fellowships	1,756,533
Utilities	603,256
Supplies and other services	5,731,963
Depreciation	<u>1,412,341</u>
 Total operating expenses	 <u>22,131,463</u>
 Operating loss	 <u>(12,351,020)</u>

**NONOPERATING REVENUES (EXPENSES)**

State appropriations	3,464,477
County appropriations	1,720,000
Interest income	45,412
Interest expense	(77,193)
Federal grants and contracts	6,995,003
State and local grants and contracts	<u>100</u>
 Net nonoperating revenues	 <u>12,147,799</u>
 Loss before state capital appropriations	 (203,221)
 Capital grants and gifts	 <u>365,667</u>
 Increase in net assets	 162,446

<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>30,368,748</u>
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<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 30,531,194</u></u>
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The accompanying notes are an integral part of this financial statement.



**AIKEN TECHNICAL COLLEGE**  
**STATEMENT OF CASH FLOWS**  
*For the Year Ended June 30, 2011*

**CASH FLOWS FROM OPERATING ACTIVITIES**

Student tuition and fees (net of scholarship allowances)	\$ 5,110,838
Federal, state and local grants and contracts	2,314,065
Auxiliary enterprise charges (net of scholarship allowances)	1,623,292
Other receipts	623,191
Payments to employees	(12,561,577)
Payments to vendors	<u>(8,571,955)</u>
Net cash used in operating activities	<u>(11,462,146)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State appropriations	3,464,477
County appropriations	1,684,000
Federal, state and local grants, gifts, and contracts, non-operating	6,995,103
Expended for agency funds	<u>656</u>
Net cash provided by noncapital financing activities	<u>12,144,236</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Federal, state, and local grants and contracts for capital	376,504
Issuance of new debt	30,199
Purchase of capital assets	(464,320)
Principal paid on capital debt	(194,726)
Interest paid on capital debt	<u>(77,193)</u>
Net cash used in capital and related financing activities	<u>(329,536)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on cash and cash equivalents	27,565
Interest on investments	11,870
Proceeds from sale and maturity investments	2,158,569
Purchase of investments	<u>(2,160,000)</u>
Net cash provided by investing activities	<u>38,004</u>

Net increase in cash and cash equivalents	390,558
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**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR**

5,908,350

**CASH AND CASH EQUIVALENTS, END OF YEAR**

\$ 6,298,908

(Continued)

**AIKEN TECHNICAL COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2011**

**NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES**

The College received, as non-cash transactions, \$13,234 in donated equipment and supplies from the College's Foundation Component Unit.

**Reconciliation of operating loss to net cash used in operating activities:**

Operating loss	\$ (12,351,020)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,412,341
Change in assets and liabilities:	
Receivables, net	(553,218)
Inventories	341,891
Deferred charges and prepaid expense	(122,476)
Accounts payable	(357,728)
Accrued payroll liabilities	14,399
Accrued leave payable	51,394
Prepaid and deferred revenue	(50,680)
Advances	<u>152,951</u>
Net cash used in operating activities	<u><u>\$ (11,462,146)</u></u>

The accompanying notes are an integral part of this financial statement.

**AIKEN TECHNICAL COLLEGE  
COMPONENT UNIT  
AIKEN TECHNICAL COLLEGE FOUNDATION, INC.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2011**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 264,119
Unconditional promises to give	28,910
Prepaid expenses and other current assets	<u>2,583</u>
Total current assets	<u>295,612</u>

**OTHER ASSETS**

Investments	4,816,531
Pledges receivable	671
Property and equipment, net	<u>1,709</u>
	<u>4,818,911</u>

**TOTAL ASSETS**

**\$ 5,114,523**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	<u>\$ 172,754</u>
Total current liabilities	<u>172,754</u>

**NET ASSETS**

Unrestricted	1,031,339
Temporarily restricted	2,804,302
Permanently restricted	<u>1,106,128</u>
Total net assets	<u>4,941,769</u>

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 5,114,523**

The accompanying notes are an integral part of this financial statement.

**AIKEN TECHNICAL COLLEGE  
COMPONENT UNIT  
AIKEN TECHNICAL COLLEGE FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Contributions	\$ 112,486	\$ 117,967	\$ 35,205	\$ 265,658
Investment income	50,491	62,470	-	112,961
Net investment gains and other income	370,250	456,755	-	827,005
Net assets released from restrictions	147,447	(147,447)	-	-
<b>Total Revenues, Gains, and Other Support</b>	<b>680,674</b>	<b>489,745</b>	<b>35,205</b>	<b>1,205,624</b>
<b>EXPENSES</b>				
<b>Program Services</b>				
Scholarships	86,497	-	-	86,497
Equipment and building support	27,192	-	-	27,192
Student programs	8,438	-	-	8,438
Other programs	21,324	-	-	21,324
<b>Total Program Services</b>	<b>143,451</b>	<b>-</b>	<b>-</b>	<b>143,451</b>
<b>Supporting Services</b>				
Management and general	119,776	-	-	119,776
Fundraising	38,317	-	-	38,317
<b>Total Expenses</b>	<b>301,544</b>	<b>-</b>	<b>-</b>	<b>301,544</b>
<b>Increase in Net Assets</b>	<b>379,130</b>	<b>489,745</b>	<b>35,205</b>	<b>904,080</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>652,209</b>	<b>2,314,557</b>	<b>1,070,923</b>	<b>4,037,689</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,031,339</b>	<b>\$ 2,804,302</b>	<b>\$ 1,106,128</b>	<b>\$ 4,941,769</b>

The accompanying notes are an integral part of this financial statement.

**AIKEN TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Nature of Operations**

Aiken Technical College (the "College"), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Aiken County, South Carolina. Included in this range of programs are technical and occupational associate degrees, diploma and certificate curricula that are consistent with the needs of employers in the College's service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

**B. Reporting Entity**

The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB"), consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Aiken Technical College, as the primary government, and the accounts of Aiken Technical College Foundation, Inc. (the "Foundation"), its component unit. The College is part of the primary government of the State of South Carolina. However, based on the nature and significance of the Foundation's relationship with the State of South Carolina, the Foundation is not a component unit of the State of South Carolina.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 40-member board of the Foundation is elected by the Foundation's Board of Trustees and consists of the President of the College, one or more members of the Aiken County Commission for Technical Education, the Development Office of the College, and other graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) pronouncements. Most significant to the Foundation's operations and reporting model are FASB's, *Accounting for Contributions Received and Contributions Made*, and FASB's, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. However, significant note disclosures to the Foundation's financial statements have been incorporated into the College's notes to the financial statements.

*(Continued)*

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

The complete financial statements for the Foundation can be obtained by mailing a request to Mary Commons, Aiken Technical College Foundation, Inc., P. O. Drawer 696, Aiken, SC 29802-0696, by calling (803) 593-9231, ext. 1332, or by e-mailing a request to [commonsm@atc.edu](mailto:commonsm@atc.edu).

**C. Financial Statements**

The financial statements of the College are presented in accordance with GASB's, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB's *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by these GASB Statements provides a comprehensive, entity-wide perspective of the College's net assets, revenues, expenses and changes in net assets and cash flows that replaces the fund-group perspective previously required.

**D. Basis of Accounting**

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated.

The College has elected not to apply Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989.

**E. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**F. Cash, Cash Equivalents and Investments**

For purposes of the Statement of Cash Flows, the College considers all certificates of deposit to be cash equivalents.

Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, "Investment of Funds". The College accounts for its investments at fair value in accordance with GASB's *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Assets.

**G. Receivables**

Receivables consist of tuition and fee charges to students, gifts pledged and auxiliary enterprise services provided to students, faculty, and staff. Receivables also include amounts due from Federal, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Receivables are reported net of estimated

(Continued)

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**G. Receivables, (continued)**

uncollectible amounts. The College maintains an allowance for uncollectible amounts, which is based upon actual losses experienced in prior years and evaluations of the current account portfolio.

**H. Inventories**

Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

**I. Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation, if received by gift. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself, are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

**J. Deferred Revenues**

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent year. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**K. Compensated Absences**

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of liabilities in the Statement of Net Assets and as a component of benefit expenses in the Statement of Revenues, Expenses, and Changes in Net Assets, respectively.

**L. Net Assets**

The College's net assets are classified as follows:

*Invested in capital assets, net of related debt:* This represents the College's total investment in capital assets, net of outstanding debt obligations, related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

*Restricted net assets – expendable:* Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed

(Continued)



**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**L. Net Assets, (continued)**

by external third parties. Net assets restricted for debt service and for the loan fund are restricted expendable net assets.

*Restricted net assets - nonexpendable:* Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2011, the College did not report any restricted net assets – nonexpendable.

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College's policy for applying expenses that can use both restricted and unrestricted resources is to first apply the expense to restricted resources and then to unrestricted resources.

**M. Income Taxes**

The College and Foundation are exempt from income taxes under the Internal Revenue Code.

**N. Classification of Revenues**

The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

*Operating revenues:* Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.

*Non-operating revenue:* Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts, contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

**O. Sales and Services of Educational Departments and Other Activities**

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public.

*(Continued)*

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**P. Auxiliary Enterprises and Internal Service Activities**

Auxiliary enterprise revenues primarily represent revenues generated by bookstores and food services. Revenues of internal service activities conducted separately, and in conjunction with auxiliary enterprise activities, and their related College department expenditures, have been eliminated.

**Q. Capitalized Interest**

When material, the College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with capital projects that will be capitalized in the applicable capital asset categories upon completion. The College incurred \$77,193 of interest cost during the year ended June 30, 2011, none of which was capitalized.

**R. Component Unit**

The Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and changes therein are classified as follows:

*Permanently restricted net assets:* Permanently restricted net assets are subject to donor-imposed stipulations that require them to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

*Temporarily restricted net assets:* Temporarily restricted net assets are subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

*Unrestricted undesignated net assets:* Unrestricted undesignated net assets are not subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

*Unrestricted designated net assets:* Unrestricted designated net assets are not subject to donor-imposed restrictions but subject to Foundation Board imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are not recorded in the Foundation's financial records, but are accounted for and acknowledged separately.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value based upon quoted market prices.

**S. Subsequent Events**

These financial statements have not been updated for subsequent events occurring after September 30, 2011 which is the date these financial statements were available to be issued.

## **NOTE 2 – STATE APPROPRIATIONS**

State funds for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2011:

### **Non-capital Appropriations**

Current year's appropriations:

Original appropriations per Annual Appropriations Act	\$ 3,464,477
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<b>Total non-capital appropriations recorded as current year revenue</b>	<b><u>\$ 3,464,477</u></b>
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### **Capital Appropriations**

Current year's appropriations:

Lottery Equipment & State Technology Fund	\$ 100,666
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<b>Total capital appropriations recorded as current year revenue</b>	<b><u>\$ 100,666</u></b>
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## **NOTE 3 - DEPOSITS AND INVESTMENTS**

### **DEPOSITS**

State Law requires that a bank or savings and loan association (both depository financial institutions) receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the College will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The College's deposits are categorized to give an indication of the level of risk assumed by the College at year-end. The credit risk categories are concerned with custodial credit risk, which is the risk that a government will not be able to recover its deposits if the depository financial institution fails to recover the value of collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails.

The deposits for the College at June 30, 2011, were \$6,692,980. Of these, none were exposed to custodial credit risk as uninsured and uncollateralized or not subject to an irrevocable letter of credit. The College recognized no loss due to default by counterparties to investment transactions and amounts recovered from prior period losses.

The deposits for the Foundation at June 30, 2011, were \$272,140. The Foundation is not bound by State law requiring collateralization of deposits; however the Federal Deposit Insurance Corporation insured the total amount deposited.

*(Continued)*

**NOTE 3 - DEPOSITS AND INVESTMENTS, Continued****INVESTMENTS**

The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, "Investment of Funds", to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

The following schedule reconciles Cash and Cash Equivalents and restricted short-term deposits as reported on the Statement of Net Assets.

**Statement of Net Assets:**

Cash and cash equivalents	\$ 4,138,908
Investments	2,160,000
Restricted short-term investments	<u>18,384</u>

Total Statement of Net Assets	<u><u>\$ 6,317,292</u></u>
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**Deposits and Investments:**

Carrying value of deposits	\$ 6,313,742
Cash on hand	<u>3,550</u>

Total Deposits and Investments	<u><u>\$ 6,317,292</u></u>
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**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of an institution's investment in a single issuer. As of June 30, 2011, the College maintained less than \$250,000 in any CD or money market investment. The College maintains an investment policy procedure awarding investments in certificates of deposit, collateralized or supported by an irrevocable letter of credit, to the highest Aiken County financial institution bidders (branches or home bases), without restriction as to concentration. An exception was made to this policy to diversify investing in FDIC insured money market funds and certificates of deposit less than \$250,000 each at a variety of banks in the Central Savannah River Area.

The ATC Foundation, Inc. is not bound by the State investment restrictions that apply to the College, thereby allowing investments in both equities and fixed income securities as listed below:

**Aiken Technical College Foundation**

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1 - 5	6 - 10	More than 10
Debt Securities					
Money Market Mutual Funds	\$ 140,841	\$ 140,841	\$ -	\$ -	\$ -
Bond Mutual Funds	1,358,740	69,332	530,780	515,017	243,611
Total Debt Securities	1,499,581	210,173	530,780	515,017	243,611
Other Securities					
Mutual Funds - Equities	2,791,171	-	-	-	-
Real Estate Funds	525,779	-	-	-	-
Total Investments	\$ 4,816,531	\$ 210,173	\$ 530,780	\$ 515,017	\$ 243,611

(Continued)

**NOTE 3 - DEPOSITS AND INVESTMENTS, Continued**

The Foundation invests in the following rated debt investments:

**Aiken Technical College Foundation Rated Debt Investments**

<b><u>Rated Debt Investments</u></b>	<b><u>Fair Value</u></b>	<b><u>Quality Ratings</u></b>				
		<b><u>AAA</u></b>	<b><u>AA</u></b>	<b><u>A</u></b>	<b><u>A1</u></b>	<b><u>Unrated</u></b>
Bond Mutual Fund - average	\$ 1,358,740	\$ -	\$ 152,462	\$ -	\$ -	\$ 1,206,278
Money Market Mutual Funds	140,841	140,841	-	-	-	-
Total Fair Value	<b><u>\$ 1,499,581</u></b>	<b><u>\$ 140,841</u></b>	<b><u>\$ 152,462</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,206,278</u></b>

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. The Foundation has no policy on interest rate risk.

For the year ended June 30, 2011, the following tables show the investments by the weighted average method. The shorter the maturities, the lower the interest rate risk, with correspondingly less yield.

**Aiken Technical College Foundation Rated Debt Investments**

<b><u>Rated Debt Investments</u></b>	<b><u>Fair Value</u></b>	<b><u>Weighted Average Maturity (in years)</u></b>
Bond Fund - Domestic	\$ 1,093,424	6.12
Bond Fund - International	265,316	9.82
Money Market Mutual Funds	140,841	0.08
Total Fair Value	<b><u>\$ 1,499,581</u></b>	

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2011, including applicable allowances for uncollectibles, were as follows:

Receivables:

Student Accounts	\$ 878,864
Sponsorship and Other Accounts	860,000
Federal Grants and Contracts	527,893
State Grants and Contracts	966,310
Local Grants and Contracts	840,075
Interest Receivable	15,836
Total Accounts Receivable	4,088,978
Less: Allowance for Uncollectibles	(300,000)
Net Accounts Receivable	<u>\$ 3,788,978</u>

The College recognized a receivable from the Foundation of \$172,754 at June 30, 2011.

The Foundation's unconditional promises to give at June 30, 2011 were as follows:

Unconditional promises to give	\$ 29,665
Less unamortized discount	<u>(84)</u>
Net unconditional promises to give	<u>\$ 29,581</u>
Amounts due in:	
Less than one year	\$ 28,910
One to five years	<u>755</u>
	<u>\$ 29,665</u>

Unconditional promises to give are reflected at the present value of estimated future cash flows using discount rates ranging from 0.54% to 5.11%.

**NOTE 5 - CAPITAL ASSETS**

	<b>Beginning Balance July 1, 2010</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance June 30, 2011</b>
<b>Capital assets not being depreciated depreciated:</b>				
Land and improvements	\$ 926,922	\$ -	\$ -	\$ 926,922
Construction in progress	29,639	-	29,639	-
Total capital assets not being depreciated	<u>956,561</u>	<u>-</u>	<u>29,639</u>	<u>926,922</u>
<b>Other capital assets:</b>				
Buildings and improvements	33,821,391	144,850	-	33,966,241
Machinery, equipment, and other	3,569,347	354,166	154,342	3,769,171
Intangible assets	461,809	-	-	461,809
Vehicles	81,887	-	-	81,887
Depreciable land improvements	<u>1,453,858</u>	<u>-</u>	<u>-</u>	<u>1,453,858</u>
Total other capital assets at historical cost	<u>39,388,292</u>	<u>499,016</u>	<u>154,342</u>	<u>39,732,966</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings and improvements	11,963,319	1,057,783	-	13,021,102
Machinery, equipment, and others	3,066,244	277,329	149,285	3,194,288
Intangible assets	461,809	-	-	461,809
Vehicles	65,538	-	-	65,538
Depreciable land improvements	<u>680,718</u>	<u>77,229</u>	<u>-</u>	<u>757,947</u>
Total accumulated depreciation	<u>16,237,628</u>	<u>1,412,341</u>	<u>149,285</u>	<u>17,500,684</u>
Other capital assets, net	<u>23,150,664</u>	<u>(913,325)</u>	<u>5,057</u>	<u>22,232,282</u>
Capital Assets, Net	<u><b>\$ 24,107,225</b></u>	<u><b>\$ (913,325)</b></u>	<u><b>\$ 34,696</b></u>	<u><b>\$ 23,159,204</b></u>

A lien has been recorded as to purpose and use restrictions for a manufacturing and technology building in connection with a \$1,500,000 Economic Development Authority ("EDA") construction grant. EDA permission and refunding of a portion of the grant is necessary for any change in use or purpose as well as for any sale, lease, conveyance, or other transfer.



## **NOTE 6 – RETIREMENT PLANS**

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to Financial Services, South Carolina Retirement Systems, P.O. Box 11960, Columbia, South Carolina 29211. Furthermore, the Retirement System and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

### ***South Carolina Retirement System***

The majority of employees of the College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Since July 1, 2006, employees participating in SCRS have been required to contribute at 6.5 percent of compensation. Effective July 1, 2010, the employer contribution rate became 13.14 percent which included a 3.90 percent surcharge to fund retiree health and dental insurance coverage. The College's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2011, 2010, and 2009, were \$510,140, \$509,942, and \$526,626, respectively, and equaled the required contributions (excluding the surcharge) for each year. Also, the College paid employer group-life insurance contributions of \$9,506 in the current fiscal year at the rate of 0.15 percent of compensation.

### ***Optional Retirement Program***

The State Optional Retirement Program (State ORP) was first established as the Optional Retirement Program for Higher Education in 1987. In its current form, the State ORP is an alternative to the defined benefit SCRS plan offered to certain state, public school and higher education employees of the State. The State ORP, which is administered by the South Carolina Retirement Systems, is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts issued by them.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.24 percent plus the retiree surcharge of 3.90 percent from the employer in fiscal year 2011. Employees are eligible for group-life insurance benefits while participating in the State ORP. However, employees who participate in the State ORP are not eligible for postretirement group-life insurance benefits. For the years ended 2011, 2010 and 2009, total contribution requirements to the ORP were \$53,197, \$52,725, and \$50,111, respectively (excluding the surcharge) from the College as employer and \$167,937, \$166,447, and \$158,193, respectively from its employees as plan members. In addition, the College paid to the SCRS employer group-life insurance contributions of \$3,129 in the current fiscal year at the rate of 0.15 percent of compensation.

*(Continued)*

## **NOTE 6 - RETIREMENT PLANS, Continued**

### ***Deferred Compensation Plans***

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

### ***Teacher and Employee Retention Incentive***

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit and are ineligible to receive group life insurance benefits or disability retirement benefits. Employees who choose to participate in the TERI Program after July 1, 2006 are required to make SCRS contributions.

## **NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS**

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the College are eligible to receive these benefits. The State provides post employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the College for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the College for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis.

The College recorded benefit expenses for these insurance benefits for active employees in the amount of \$22,522 for the year ended June 30, 2011. As discussed in Note 6, the College paid \$212,294 applicable to the 3.35 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to the College's retirees is not available. By State law, the College has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

*(Continued)*

**NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS, Continued**

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

**NOTE 8 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS**

In the opinion of the College's management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

Necessary funding has been obtained for the acquisition, construction, renovation and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2011, the College had no outstanding commitment balances with property owners, engineering firms, construction contractors and vendors related to these projects.

The College anticipates funding these projects with current resources, current and future bond issues, private gifts, student fees, and State capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of State facilities. The College is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The College had no authorized State capital improvement bond proceeds available to draw at June 30, 2011.

**NOTE 9 - LEASE OBLIGATIONS**

The College's non-cancelable operating leases for copiers and mail machines provides for an annual renewal option at fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total rental payments for copier and mailing equipment totaled \$81,840 for fiscal year 2011. The College will continue to lease equipment in the future at these approximate amounts.

Contingent copier leases/payments amounted to \$59,437 for the fiscal year 2011.

**NOTE 10 - BONDS AND LOANS PAYABLE**

Bonds and loans payable consisted of the following at June 30, 2011:

**Revenue Bonds**

Special Fee Capital Improvement and Refunding Bonds, Series 2001, issued December 20, 2001 due in semi-annual installments (June 15, December 15) of \$135,959 at 5.25% per annum simple interest.

\$ 1,303,340

**Total Bonds Payable**

\$ 1,303,340

The scheduled maturities of the bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Revenue Bonds			
2012	\$ 205,230	\$ 66,688	\$ 271,918
2013	216,299	55,619	271,918
2014	227,965	43,953	271,918
2015	240,261	31,657	271,918
2016	253,220	18,698	271,918
2017	160,365	5,041	165,406
<b>Total</b>	<u><b>\$ 1,303,340</b></u>	<u><b>\$ 221,656</b></u>	<u><b>\$ 1,524,996</b></u>

The Commission imposes, maintains and collects the Special Fee upon all students in attendance at the College such that the Special Fee will produce sufficient revenues during each fiscal year to pay the principal and interest due on the Bonds.

**Federal Grant Loan**

SC Energy Office S09-0119 Lighting award loan, due in equal installments of \$10,066 on January 1<sup>st</sup> of 2012, 2013 and 2014, at zero percent interest.

\$ 30,199

**Total Loans Payable**

\$ 30,199

The scheduled maturities of the bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Federal Grant Loan			
2012	\$ 10,066	\$ -	\$ 10,066
2013	10,066	-	10,066
2014	10,067	-	10,067
<b>Total</b>	<u><b>\$ 30,199</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 30,199</b></u>

**NOTE 11 – NONCURRENT LIABILITIES**

Long-term liability, excluding funds held for others, activity for the year ended June 30, 2011 was as follows:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2011</u>	<u>Due Within One Year</u>
Bonds Payable	\$ 1,498,063	\$ -	\$ (194,723)	\$ 1,303,340	\$ 205,230
Federal Grant Loan	-	30,199	-	30,199	10,066
Accrued Compensated Absences	533,989	51,394	-	585,383	64,919
Total Long-Term Liabilities	<u>\$ 2,032,052</u>	<u>\$ 81,593</u>	<u>\$ (194,723)</u>	<u>\$ 1,918,922</u>	<u>\$ 280,215</u>

Additional information regarding Bonds Payable is included in Note 10.

**NOTE 12 – COMPONENT UNIT**

Following is a summary of significant transactions between the Foundation and the College for the year ended June 30, 2011.

The College recorded non-governmental gift receipts of \$114,392 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2011. These funds were used to support College programs such as scholarships, Allied Health Salaries, and educational equipment. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College provides office space and administrative services to the Foundation. The College invoiced the Foundation a total of \$58,362 for reimbursement for administrative services provided to the Foundation during the year. The College was due \$172,754 from the Foundation as of June 30, 2011. The College had no payables due to the Foundation as of June 30, 2011. The Foundation's assets as of June 30, 2011 were \$5,114,523, with net assets of \$4,941,769.

**NOTE 13 - RISK MANAGEMENT**

The College is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

(Continued)

**NOTE 13 - RISK MANAGEMENT, Continued**

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

Theft, damage to, or destruction of assets	Torts
Real property, its contents, and other equipment	Natural disasters
Motor vehicles and watercraft	Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The College also has employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

**NOTE 14 - STATEMENT OF ACTIVITIES FORMAT**

The following information is required by the Office of the Comptroller General for the State of South Carolina's comprehensive annual financial report:

	<b>2011</b>	<b>2010</b>	<b>Increase (Decrease)</b>
Charges for services	\$ 9,780,443	\$ 10,525,680	\$ (745,237)
Operating grants and contributions	8,760,515	9,227,435	(466,920)
Capital Grants and Contributions	265,001	91,325	173,676
Less: expenses	(22,208,656)	(22,299,718)	91,062
Net program expense	(3,402,697)	(2,455,278)	(947,419)
Transfers			
State appropriations	3,464,477	3,969,461	(504,984)
State capital appropriations	100,666	79,035	21,631
Transfers in from other state agencies	-	30,207	(30,207)
Total transfers	3,565,143	4,078,703	(513,560)
Change in net assets	162,446	1,623,425	(1,460,979)
Net assets, beginning of year	30,368,748	28,745,323	1,623,425
Net assets, end of year	<u>\$ 30,531,194</u>	<u>\$ 30,368,748</u>	<u>\$ 162,446</u>

**NOTE 15 – AMERICAN RECOVERY AND REINVESTMENT ACT FUNDS**

The College incurred American Recovery and Reinvestment Act grant expenditures of \$457,921 during fiscal year 2011. These funds were awarded to the College as pass-through funding from the U.S. Department of Labor (WIA One Stop and QuickJobs), the U.S. Department of Education (State Fiscal Stabilization Grant), the U.S. Department of Commerce (Broadband Technology Opportunities Program). The College ARRA expended amounts included broadband technology center development, maintenance, instruction salaries, educational equipment and maintenance repairs.

<b>Fund</b>		<b>Funds applied Fiscal Year 2011</b>					
ARRA Broadband TOP Round 1		\$ 76,616					
ARRA WIA One Stop		1,722					
ARRA WIA QuickJobs Curriculum Development		7,256					
ARRA WIA QuickJobs Instruction Activity		148,730					
ARRA State Fiscal Stabilization Grant to States		96,500					
ARRA SC Department of Energy Grant/Loan		120,797					
ARRA WIA Workmans Apprenticeship		6,300					
		<u><u>\$ 457,921</u></u>					

	<b>Salaries</b>	<b>Benefits</b>	<b>Supplies/ Services</b>	<b>Plant M &amp; D</b>	<b>Capitalized</b>	<b>Scholarship</b>	<b>Total</b>
Functional area:							
Instruction	\$ 56,259	\$ 10,990	\$ 72,182	\$ 14,796	\$ 27,843	\$ -	\$ 182,070
Student Services	1,590	1,115	175	-	-	-	2,880
Academic Support	5,967	131	20,483	106,002	56,133	-	188,716
Scholarships	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,255</u>	<u>84,255</u>
<b>Total Expenditures</b>	<u><b>\$ 63,816</b></u>	<u><b>\$ 12,236</b></u>	<u><b>\$ 92,840</b></u>	<u><b>\$ 120,798</b></u>	<u><b>\$ 83,976</b></u>	<u><b>\$ 84,255</b></u>	<u><b>\$ 457,921</b></u>



**NOTE 16 – OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the year ended June 30, 2011 are summarized as follows:

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships and Fellowships</u>	<u>Utilities</u>	<u>Supplies and Other Services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 5,968,453	\$ 1,522,473	\$ -	\$ -	\$ 1,496,187	\$ -	\$ 8,987,113
Academic Support	927,446	238,419	-	-	315,593	-	1,481,458
Student Services	1,121,660	294,683	-	-	545,315	-	1,961,658
Operation and Maintenance of Plant	318,091	70,707	-	603,256	983,120	-	1,975,174
Institutional Support	1,599,695	434,820	-	-	773,446	-	2,807,961
Scholarships	-	-	1,756,533	-	-	-	1,756,533
Auxiliary Enterprises	115,837	15,086	-	-	1,618,302	-	1,749,225
Depreciation	-	-	-	-	-	1,412,341	1,412,341
Total Operating Expenses	<u>\$ 10,051,182</u>	<u>\$ 2,576,188</u>	<u>\$ 1,756,533</u>	<u>\$ 603,256</u>	<u>\$ 5,731,963</u>	<u>\$ 1,412,341</u>	<u>\$ 22,131,463</u>